



AUBURN

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UNIVERSITY

# Strategic Budgeting Initiative

Dean and Business Officer  
Discussion Materials

October 2013

# Objectives

- Recap previous and current efforts
- Share “actuals” income statement
- Provide model structure overview and variables
- Answer questions related to initiative efforts
- Provide next steps

# Initiative Background

- At a September 2011 retreat, Auburn's provost and deans identified the following budget priorities and challenges:
  - Inequities among colleges, including unequal access to revenues from student fees
  - A budget model that leaves the Provost with few resources for strategic initiatives
  - Challenges in meeting funding demands for the Core
  - Salary equity and market competitiveness for faculty

# Previous Efforts

- Established Steering Committee to oversee a 16-week assessment effort
  - Provost
  - CFO
  - Deans (Edu, Agr, Bus, Lib)
  - Faculty representative
  - Institutional research
  - Business and finance
- Met with over 45 individuals, developed a set of guiding principles, conducted alignment analysis of budget process, and built initial funds flow model

# Guiding Principles

- Prioritize funding of strategic initiatives aligned with Auburn's mission
- Deliver consistent, accurate, and realistic financial projections, while allowing flexibility to respond to future opportunities and unknowns
- Promote authority, responsibility, and accountability, both locally and university-wide
- Provide incentives for effective management of both revenues and expenses and reward creativity and innovation
- Be simple, transparent, and logical

# Current Efforts

- Improve understanding of individual college
- Engage additional campus community members
- Introduce preliminary model framework
- Provide variable data
- Solicit and collect feedback on framework
- Support Steering Committee

# Income Statements Discussion

- “Actuals” Statement\* (separate handout)
  - Organizes revenues and expenses by unit
  - Does not use allocation rules to shift resources
- “Model” Statement\* (not yet available)
  - Uses allocation rules to reallocate resources
  - Structural framework introduced today

\*Note: All statements represent FY2012 financials

# Preliminary Approach Framework

- Provide all-funds transparency\*
  - Includes restricted and unrestricted
  - Includes all divisions
- Develop incentives for allocation of select revenues
  - Instruction, research, etc.
- Balance local and university-wide authority and responsibility through central retention of selected funds\*
- Allocate indirect costs of university-wide operations

\*Note: Although all income statement funds will be included for transparency purposes, not all funds will be considered in the creation of central pool of resources.



# Administrative & Support Unit Details

| Unit (9)   | Sub-Units   | FY12 Expenses | % of Total |
|--|---|---------------|------------|
| Office of the President                          | President<br>Executive Director of Communications and Marketing   | \$7.9MM       | 3.7%       |
| Office of the Provost and VP of Academic Affairs | Provost and VP for Academic Affairs<br>Asst. VP for University Outreach<br>Diversity and Multicultural Affairs<br>Jule Collins Smith Museum | \$55.4MM      | 26.1%      |
| Office of the EVP and CFO                        | Alumni and Devpt. Support Services<br>Associate VP for Bus. and Fin.<br>Endowment Invest. Office  | \$65.6MM**    | 30.7%      |
| Alumni Affairs                                   |   | \$1.0MM       | 0.5%       |
| Assistant VP Facilities                          |   | \$44.8MM      | 21.1%      |
| Associate Provost and VP for Research            |   | \$10.8MM      | 5.1%       |
| Development                                      |   | \$10.9MM      | 5.2%       |
| Enrollment Services                              |   | \$7.1MM       | 3.3%       |
| Student Affairs                                  |   | \$8.9MM       | 4.2%       |



9 **\*\*Note:** Over 90% of unit's total expenses relates to depreciation expense.

# Data Variables (1 of 4)

| Agr.   | Arch.         | Bus.          | Edu.          | Eng.          | F&WS         |
|--|---------------|---------------|---------------|---------------|--------------|
| <b>1. Resident Credit Hours by Instruction:</b> From the Office of Institutional Research; Includes totals from each semester of FY12 as of the 15 <sup>th</sup> class day     |               |               |               |               |              |
| 13,585   | 16,149        | 41,613        | 39,198        | 37,837        | 3,500        |
| <b>2. Non-Resident Credit Hours by Instruction:</b> From the Office of Institutional Research; Includes totals from each semester of FY12 as of the 15 <sup>th</sup> class day |               |               |               |               |              |
| 5,729  | 10,475        | 29,601        | 16,902        | 20,924        | 1,219        |
| <b>3. Resident Credit Hours by Major:</b> From the Office of Institutional Research; Includes totals from each semester of FY12 as of the 15 <sup>th</sup> class day           |               |               |               |               |              |
| 22,098   | 22,792        | 57,185        | 50,134        | 81,197        | 7,175        |
| <b>4. Non-Resident Credit Hours by Major:</b> From the Office of Institutional Research; Includes totals from each semester of FY12 as of the 15 <sup>th</sup> class day       |               |               |               |               |              |
| 11,116   | 14,746        | 47,288        | 20,832        | 42,464        | 2,571        |
| <b>5. Direct Expenses (Division 1)*:</b> From the FY12 General Ledger provided by the Office of Business and Finance   |               |               |               |               |              |
| \$ 15,084,017  | \$ 17,121,555 | \$ 31,124,645 | \$ 20,680,075 | \$ 75,240,214 | \$ 4,697,944 |

\*Note: Direct expenses from other divisions attributable to a specific college may be incorporated for calculating allocations.

# Data Variables (2 of 4)

| Agr.  | Arch.      | Bus.         | Edu.         | Eng.          | F&WS       |
|---|------------|--------------|--------------|---------------|------------|
| <b>6. Faculty &amp; Staff Headcount:</b> From the Office of Institutional Research; Data frozen as of November 11, 2011 and includes employees who were in an active position as of that date |            |              |              |               |            |
| 762   | 225        | 335          | 364          | 1,057         | 153        |
| <b>7. Faculty &amp; Staff FTE:</b> From the Office of Institutional Research; Data frozen as of November 11, 2011 and includes employees who were in an active position as of that date       |            |              |              |               |            |
| 528.1   | 137.2      | 193.4        | 242.9        | 623.5         | 107.6      |
| <b>8. Square Footage (Division 1):</b> From Campus Planning and Space Management; Shared space is assigned to the primary user of the room; Excludes unclassified assignable areas            |            |              |              |               |            |
| 554,190   | 75,849     | 81,386       | 119,769      | 493,226       | 71,965     |
| <b>9. Contract &amp; Grants Revenue (Division 1):</b> From the FY12 General Ledger provided by the Office of Business and Finance; Excludes F&A recovery                                      |            |              |              |               |            |
| \$ 283,047  | \$ 652,440 | \$ 1,080,119 | \$ 3,392,278 | \$ 22,945,948 | \$ 427,561 |
| <b>10. Total Student Headcount:</b> From the Office of Institutional Research; Includes totals from Fall semester of FY12 as of the 15 <sup>th</sup> class day                                |            |              |              |               |            |
| 1,287   | 1,338      | 3,808        | 2,716        | 4,852         | 369        |

# Data Variables (3 of 4)

| Hum. Sci.  | Lib. Arts     | Nurs.        | Pharm.        | Sci. & Math.  | Vet. Med.     |
|--|---------------|--------------|---------------|---------------|---------------|
| <b>1. Resident Credit Hours by Instruction:</b> From the Office of Institutional Research; Includes totals from each semester of FY12 as of the 15 <sup>th</sup> class day     |               |              |               |               |               |
| 18,424   | 131,410       | 5,360        | 16,953        | 98,582        | 13,042        |
| <b>2. Non-Resident Credit Hours by Instruction:</b> From the Office of Institutional Research; Includes totals from each semester of FY12 as of the 15 <sup>th</sup> class day |               |              |               |               |               |
| 10,242   | 81,479        | 2,076        | 4,020         | 53,855        | 3,443         |
| <b>3. Resident Credit Hours by Major:</b> From the Office of Institutional Research; Includes totals from each semester of FY12 as of the 15 <sup>th</sup> class day           |               |              |               |               |               |
| 22,764   | 72,988        | 14,317       | 16,999        | 60,250        | 12,899        |
| <b>4. Non-Resident Credit Hours by Major:</b> From the Office of Institutional Research; Includes totals from each semester of FY12 as of the 15 <sup>th</sup> class day       |               |              |               |               |               |
| 14,149   | 48,247        | 6,951        | 4,201         | 31,061        | 3,554         |
| <b>5. Direct Expenses (Division 1)*:</b> From the FY12 General Ledger provided by the Office of Business and Finance   |               |              |               |               |               |
| \$ 13,471,611  | \$ 48,307,251 | \$ 2,778,016 | \$ 20,030,740 | \$ 40,577,530 | \$ 44,067,683 |

\*Note: Direct expenses from other divisions attributable to a specific college may be incorporated for calculating allocations.

# Data Variables (4 of 4)

| Hum. Sci.   | L. Arts      | Nurs.     | Pharm.       | Sci. & Math. | Vet. Med.    |
|---|--------------|-----------|--------------|--------------|--------------|
| <b>6. Faculty &amp; Staff Headcount:</b> From the Office of Institutional Research; Data frozen as of November 11, 2011 and includes employees who were in an active position as of that date |              |           |              |              |              |
| 208   | 827          | 37        | 156          | 736          | 597          |
| <b>7. Faculty &amp; Staff FTE:</b> From the Office of Institutional Research; Data frozen as of November 11, 2011 and includes employees who were in an active position as of that date       |              |           |              |              |              |
| 139.3   | 670.1        | 26.9      | 127.5        | 449.7        | 472.2        |
| <b>8. Square Footage (Division 1):</b> From Campus Planning and Space Management; Shared space is assigned to the primary user of the room; Excludes unclassified assignable areas            |              |           |              |              |              |
| 172,121   | 230,745      | 11,707    | 70,174       | 276,338      | 326,339      |
| <b>9. Contract &amp; Grants Revenue (Division 1):</b> From the FY12 General Ledger provided by the Office of Business and Finance; Excludes F&A recovery                                      |              |           |              |              |              |
| \$ 3,343,324  | \$ 2,395,801 | \$ 23,280 | \$ 1,138,146 | \$ 7,307,558 | \$ 3,512,371 |
| <b>10. Total Student Headcount:</b> From the Office of Institutional Research; Includes totals from Fall semester of FY12 as of the 15 <sup>th</sup> class day                                |              |           |              |              |              |
| 1,260   | 4,342        | 727       | 621          | 3,462        | 500          |

# Next Steps

- Create a Question & Answer document from dean and business manager discussions
- Distribute additional details for variables provided
- Schedule follow-up meetings:
  - Department chairs
  - Dean and business officer

## Contact information:

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# Appendix

# Real Challenges

- Increased risk from tuition dependency
  - Dependency increased from 44% to 63% (2008-2013)
  - Represents a 43% increase in 5 years
- Reduced appropriations and increased student price elasticity result in
  - Increased salary compression
  - Limited funding for new strategic initiatives
  - Limited financial support for increased facilities footprint
- Increased competition (both students and faculty)
- Changing demographics



# Need For Change

- Status quo is untenable, resource allocation should match strategy not history
- Approach must enhance decision-making
  - Assist with prioritization of activities
  - Be methodically sound for justifying funding levels
- Need for increased stakeholder authority, responsibility, and accountability

# Allocation Example (Total Headcount)

| A&S Pool   | Allocation Method     | Expenses  | Self-Gen Revenues | Allocable Budget |
|------------|-----------------------|-----------|-------------------|------------------|
| "A&S Pool" | Total Headcount (HCT) | \$500,000 | \$50,000          | \$450,000        |

| Variable                 | Unit #1     | Unit #2     | Unit #3      | All Others... | Sum of <i>n</i> |
|--------------------------|-------------|-------------|--------------|---------------|-----------------|
| Total Headcount          | 647         | 364         | 1,057        | 9,447         | 11,515          |
| Calculation              | 647/11,515  | 364/11,515  | 1,057/11,515 | 9,447/11,515  | 11,515/11,515   |
| <b>Proportion of HCT</b> | <b>5.6%</b> | <b>3.2%</b> | <b>9.2%</b>  | <b>82.0%</b>  | <b>100.0%</b>   |

$$\text{Allocation}_{\text{Unit}_n} = \left( \frac{\text{HCT}_{\text{Unit}_n}}{\text{HCT}_{\text{Unit}_{\text{Sum of all } n}}} \right) \times (\text{Exp}_{\text{A\&S Pool}} - \text{Self Generated Rev}_{\text{A\&S Pool}})$$

|        | Unit #1  | Unit #2  | Unit #3  | All Others... | Sum of <i>n</i> |
|--------|----------|----------|----------|---------------|-----------------|
| Result | \$25,284 | \$14,225 | \$41,307 | \$369,184     | \$450,000       |